

EDUCATION FINANCE: Issues, Options, & Perspectives

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Steve Smith

Manager of NCSL's

National Center on Education Finance

(303)856-1531 Stephen.Smith@ncsl.org

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What is the Goal of Education Finance ?

- To provide an education delivery system that will allow students to succeed.
- To provide such a system in an efficient manner.
- We can all agree that a quality education is important, and we are all taxpayers that do not want money wasted.
- Both extremes must move toward common ground.

What Should Education Systems Produce ?

- Productive citizens that will meet their democratic responsibilities.
- Individuals that can compete in a global economy.
- Higher order thinking skills.
- Parents and teachers of tomorrow.
- How do you translate these conceptual notions into quantifiable units?

Education Standards and Finance

- After a Nation at Risk in 1983, many began to argue that a “standards based reform” approach was needed in education.
- Set standards, provide sufficient capacity into the system, and hold the system accountable.
- Lack of examination between what is expected from education and funding levels.
- Must be overcome to have a fair system.

Education Standards and Finance

- Difficult to overcome because there is not an easily understood relationship.
- Studies have shown that money alone can not improve education.
- How money is spent that will determine effectiveness.
- Extreme example of why money alone does not matter is fraud.

Education Finance is Becoming More Popular

- States facing budget difficulties.
- Increasing taxes not an option to same degree as in the past.
- Fiscal implications of No Child Left Behind
 - Standards/Assessments
 - Data Collection and Warehousing
 - Costs of Accountability
 - Teacher Quality
- “The Perfect Storm” may produce silver lining.

Tough Economic Times

- The initial estimated gap for FY 2003 was \$49.1 billion (10.1%).
- Cash and rainy day funds are evaporating.
- 31 States see budget gap although it is down to \$17.3 billion nationwide.
- 33 states reported that revenues were below projections in the opening months of FY 2003.
- Nationally, FY 2002 revenues were 0.7% lower than FY 2001 collections.

Lofty Education Goals

- Goal of NCLB is for all students to perform at a proficient level by 2014.
- Currently studies show that perhaps 33% of all students are at a “proficient level” as measured by NAEP.
- Increase in productivity of over 200% in 12 years, close to 20% a year.
- Will require increase in productivity because major increases in funding are unlikely.

Questions to Ponder

- Will this be a repeat of “Goals 2000”?
- Is so will this be the beginning of the end for traditional public education, with vouchers waiting in the wings?
- Will the Federal government withhold funding?
- How can *states* who fund the largest part of education direct reform movements and benefit from them?
- How much will it cost to receive federal funds.
- NCLB will increase school finance litigation.

Adequacy and School Finance Litigation

- After *Brown v. Board of Education* first challenges to school finance systems were based on adequacy.
- These cases were dismissed due to lack of judicially manageable standards.
- Plaintiffs shifted focus to issues around equity. (One group of students compared to another group of students as compared to all students in a state compared to some appropriate standard.
- During 1970's plaintiffs had great success, but during the 1980's states won 8 of the 10 major cases.

Adequacy and School Finance Litigation

- Then plaintiffs began to focus on adequacy and education clauses within state constitutions.
- The Kentucky case issued in the new adequacy movement that has found fertile ground in state courts across the country. Since 1989 plaintiffs have won 70% of cases.
- Reason for success is education standards provide judges with “judicially manageable” standards to base decisions.
- Overall the courts are saying that education funding is not a prerogative of state legislatures and that some rational must be provided for education funding levels.

State Efforts to Define an Adequate Level of Funding for Education

- Four approaches have emerged that are being used by states to determine adequate levels of funding. These approaches each have strengths and weaknesses and none is perfect, which has led some states to use multiple approaches.**
- One is the “professional judgement” approach, which was developed in Wyoming in response to a court requirement that the actual costs of providing services be determined and that has been used, or is being used, in Indiana, Kansas, Maryland, Montana, Oregon, and Wisconsin to develop school finance system parameters (the approach is being used in several other states for other purposes, including by plaintiffs and defendants in adequacy litigation).**

State Efforts to Define an Adequate Level of Funding for Education

- **A second is the “successful school district” approach, which was developed in Ohio in response to a court requirement that the state stop funding schools by a process of “residual budgeting” and that has been used, or is being used, in Illinois, Kansas, Maryland, Mississippi, and New Hampshire to develop the parameters used to distribute state aid.**
- **The third, which we call the “best practices/programs” approach was used in New Jersey to determine the cost of programs thought to be necessary in the state’s “Abbott” districts (28 urban districts with high levels of family poverty out of nearly 600 districts in the state). This approach has not been used anywhere else.**

State Efforts to Define an Adequate Level of Funding for Education

- The fourth approach is a statistical analysis of the average spending within a state and then statistical adjustments made to ensure all districts are receiving appropriate funding levels.
- Must be very careful to take different student needs into account, even though it is a difficult thing to do.
- Overall, the first states to deal with this issue were able to pick one approach. However, there is now a need to examine adequacy through multiple lenses.
- This is not an exact science and legislative and executive responsibility should be somewhat maintained.

What Type of Funding Formula?

- Foundation programs that focus on amount of money needed per student most aligned with standards based reform.
- Input systems beg the question of who should be held responsible.
- Exact mix of state vs. local funding is not as important as “equal pain” across the state.
- Issues of local supplementation will continue to keep equity a question. Respond with “GTB etc.”

Defining Funding is not Enough

- After appropriate funding has been established, state can not “sit on its hands” and blame local districts.
- In order to ensure appropriate delivery systems, state must have appropriate tools (data).
- Less than 2% of all studies can be considered cost benefit or cost utility studies
- Even if \$5 billion increase in data structure still less on “MIS” systems than Fortune 500 companies.
- Finance can not be static, education standards and finance must be re-evaluated over time.

Accessing Medicaid Funds

- States can access Medicaid funding to pay for services provided to special education students.
- Some states are accessing between \$500 and \$700 per special education student, which can account for at least 5% of state expenditures for special education.
- Oregon example: \$4.5 billion spent on education, 20% of expenditures on special education = \$900 million. Let us assume the state can receive additional 3% from Medicaid = \$27 million.
- Nationwide states missing out on \$2-3 billion.

Accessing Medicaid Funds

Strategies to Increase Medicaid Funding

- Ensuring that educational services are highlighted within Medicaid “contract with the Feds.
- Requiring Health and Human Services Department to inform Department of Education of students covered under Medicaid.
- Training district personnel on what services are covered under Medicaid
- Possibly centralize processing of paperwork or at least obtain statewide bid from private sector

Questions and Discussion